

Statement of Differences: New Insights and Tools for Effective Reconciliations

Senita Beverly, Director
Cash Accounting and
Reporting Division

Mona S. Williams, Manager
Cash Control Branch

Randall Claud, Manager
Cash Analysis Branch

Presentation Overview

Cash Accounting and Reporting

- The Importance of Reconciliation
- The Role of Federal Program Agencies

Proof of Cash Objectives

- Compute Treasury's book balance independent of the bank balance
- Reconcile book balance to bank balance
- Assure integrity and accuracy

Opportunities & Threats

- Current accounting system was not designed to prove cash. (Bank and agency data are not independent)
- Information technology changes have significantly changed the way we do business
- Transactions originate from deposit and payment processing at the Federal Program Agencies.
- Financial institution reporting does not always coincide with federal program agency reporting i.e. timing, errors.

Treasury Deposit Reconciliation Process

Bank Reporting

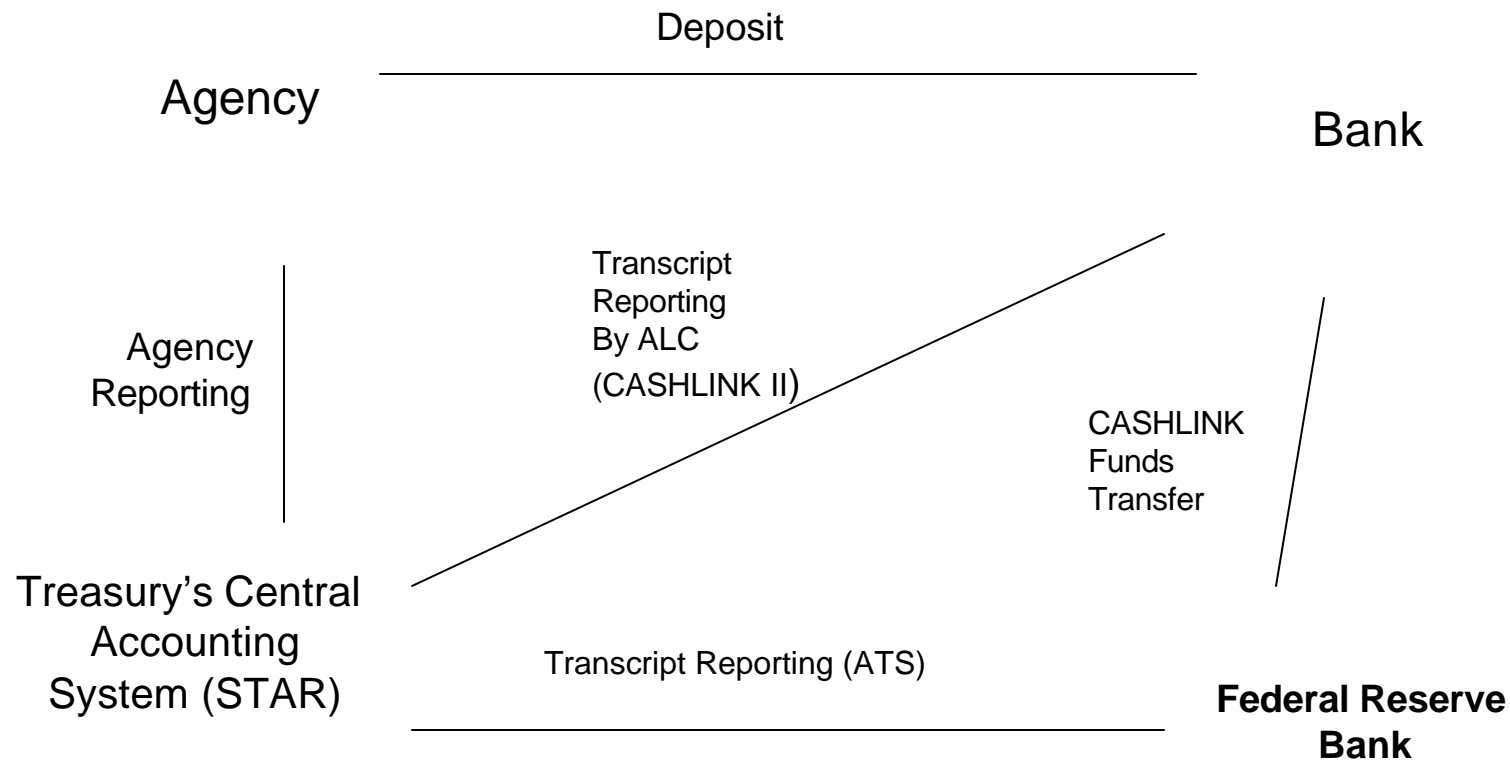
- Agency makes deposits daily
- Financial institution reports deposit transaction by Agency Location Code daily via transcript systems
- Public Money Symbols flow into Central Summary General Ledger (CSGL) Accounts in STAR
- Deposits increase CSGL operating account balances

Treasury Reconciliation Process

Agency Reporting

- Agency reports deposit activity at month-end
- Transactions are classified by appropriation, fund and receipt account
- Data is reported in STAR during month-end processing
- Appropriation, Fund and Receipt accounts are linked to CSGL accounts in STAR
- Agency reporting increases CSGL budgetary receipts account

Current Transaction Flow - Collection



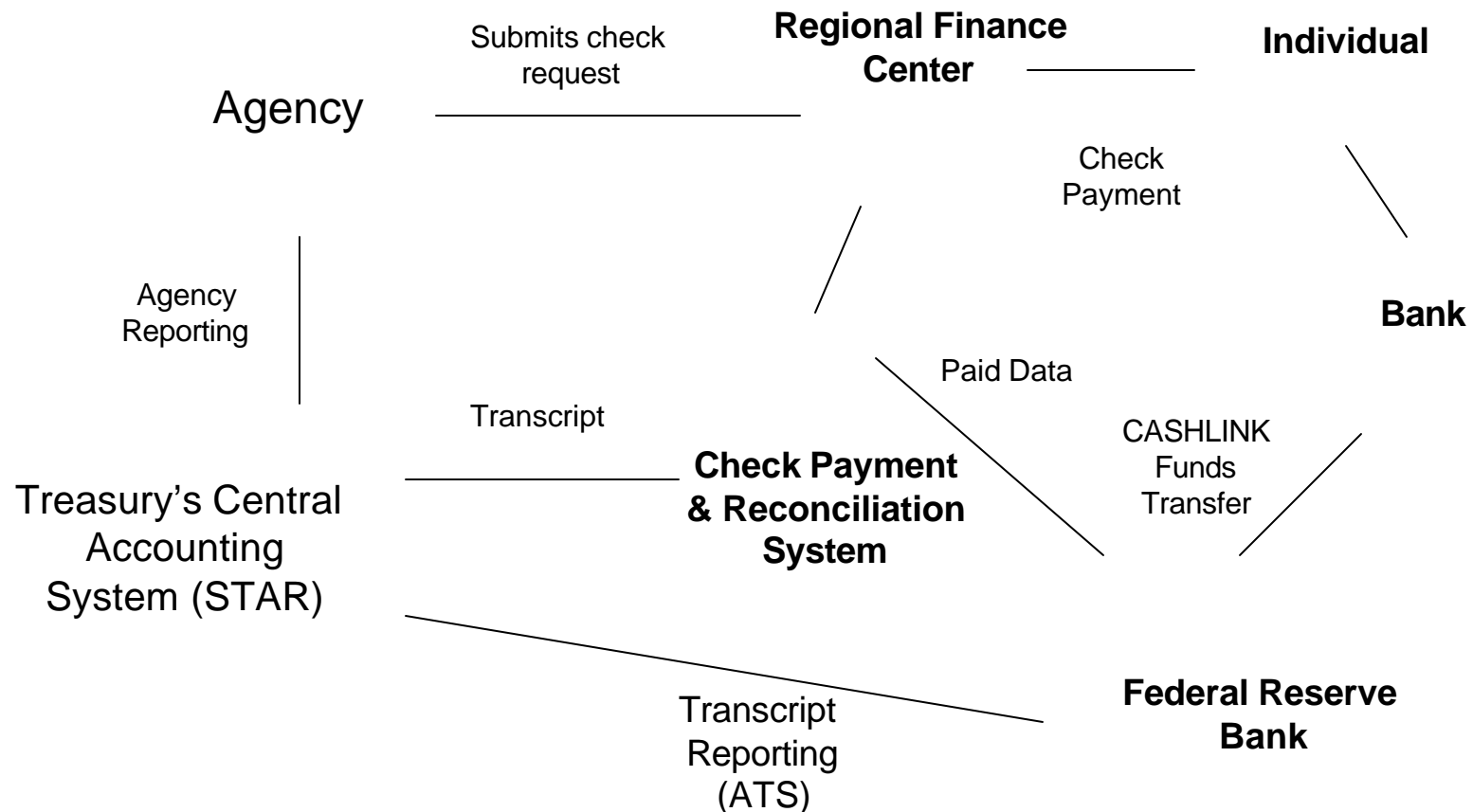
Treasury Reconciliation Process – Disbursement Bank Reporting

- Agency prepares check request
- Disbursing officer issues check and confirms agency check request
- Financial institutions report cashed check data to Federal Reserve Bank
- Federal Reserve Bank reports cashed check data to Check Payment & Reconciliation System and STAR
- CSGL operating cash account is decreased

Treasury Reconciliation Process – Disbursement Agency Reporting

- Agency reports disbursement activity at month-end
- Disbursing Officer reports check payment data to CP&R
- CP&R reports check payment data to STAR
- Agency reporting increases CSGl budgetary outlays account

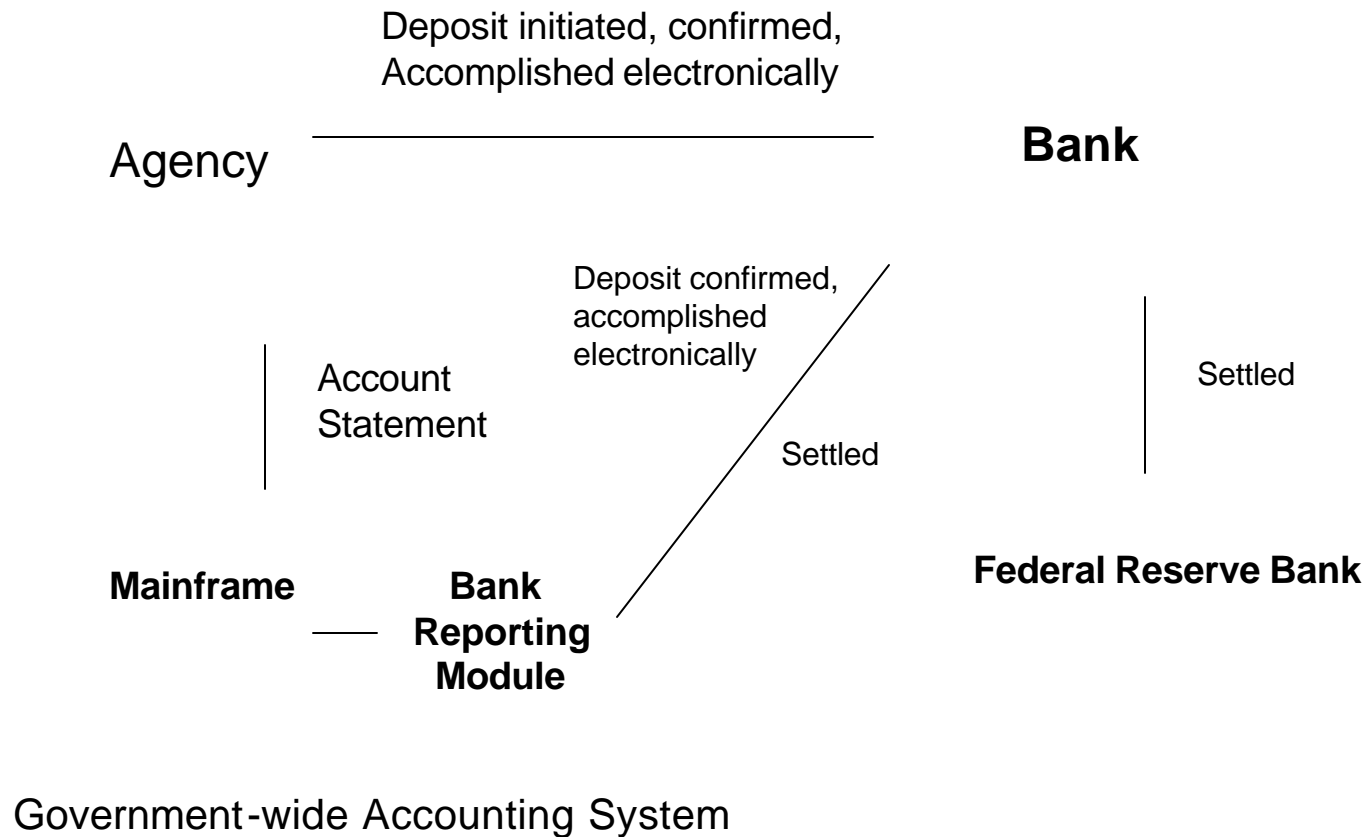
Current Transaction Flow - Disbursement



Recommended Improvements

- Calculate bank balance in the new banking module independent of agency data
- Agency reporting to feeder system will be used to calculate book balance
- Identify reconciling differences by reconciling book balance to bank balance
- Use book balance as the reporting source

New Insights and Reconciliation Tools



Significance of Proof of Cash and Accurate Agency Reporting

Roles and Responsibilities of U.S. Treasury

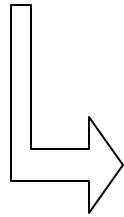
- Financing the deficit/disposing of the surplus by means of the U.S. Government Operating Cash Balance and other Cash resources (Monthly Treasury Statement Table 6).
- U.S. Government Cash balances audited for inclusion in year-end Consolidated Financial Statements which are provided to the President, Congress and the public.

Reconciliation Process and Tools

- Monthly Reporting/Reconciliation Process
- Account Statement
- FMS's Quarterly Scorecard
- Best Practices/Statement of Differences

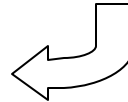
FUND BALANCE RECONCILIATION

Agency General Ledger



Agency Reporting

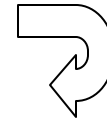
FMS 224, FMS 1219/1220, and FMS 1218/1221



FMS 6653, 6654, 6655



Corrected Agency Reporting
and/or Corrected G/L



FMS 6653, 6654, 6655

Comparison

Account Statement

- Updated Daily
 - Query and sort capabilities at both the Treasury Account Symbol (TAS) and Agency Location Code (ALC) levels
-

Ledgers and Trial Balances

Forms	Available
• 6653	7th workday (monthly)
• 6654	7th workday (monthly)
• 6655	7th workday (monthly)

Account Summary Inquiry Tool



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* Required fields.

* Agency DEPARTMENT OF THE TREASURY - (20) ▾

* Bureau/Distribution

All ▾

* Account Type

Expenditure ▾

* Fund Type

General Fund ▾

* Treasury Account Symbol

20051801 ▾

* Accounting Period

2005 Fiscal Year ▾



Month of

June ▾

Only



October through

July ▾



September Final

* Balance Display



Accounting (includes prior period adjustments)



Published (does not include prior period adjustments)

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Search Criteria

Agency: **DEPARTMENT OF THE TREASURY - (20)**
Bureau/Dist. Code: **All**
Account Type: **Expenditure**
TAS: **20051801**
Accounting Period: **2005 Fiscal Year, Month of June**

Fund Type: **General Fund**
Balance Display: **Accounting**

1-1 of 1 Records

◀◀ Previous 20 Next 20 ▶▶ Page 1

Select	View Trans.	Treasury Account Symbol ▴	Account Type	Beginning Balance	Net Activity	Ending Balance	Activity for Period
<input checked="" type="checkbox"/>		20051801	Expenditure	91,376,783.61	-11,892,653.17	79,484,130.44	✓
Total				91,376,783.61	-11,892,653.17	79,484,130.44	



Select all items

[View Expenditure Activity](#)

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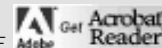
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Expenditure Activity



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Search Criteria

Agency: **DEPARTMENT OF THE TREASURY - (20)**
Bureau/Dist. Code: **All**
TAS: **20051801**
Accounting Period: **2005 Fiscal Year, Month of June**

Fund Type: **General Fund**
Balance Display: **Accounting**

1-1 of 1 Records

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View Trans.	Treasury Account Symbol	Beginning Balance	Authority (+)	Transfers (+)	Gross Disbursements (-)	Offsetting Collections (+)	Ending Balance	Activity for Period
	20051801	91,376,783.61	0.00	0.00	22,537,581.84	10,644,928.67	79,484,130.44	✓
Total		91,376,783.61	0.00	0.00	22,537,581.84	10,644,928.67	79,484,130.44	

1-1 of 1 Records

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Transactions



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Search Criteria

Agency:
Bureau/Dist. Code:
Account Type:
TAS:
Accounting Period:

DEPARTMENT OF THE TREASURY - (20)
All
Expenditure
20051801
2005 Fiscal Year,
Month of June

Fund Type
Balance Display:
Activity Type:

General Fund
Accounting
All

Account: 20051801

◀◀ Previous Account Next Account ▶▶ Account ◀1 ▶

1-6 of 6 Records

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View Detail	Activity Type	Sub Acct.	Sub Class	Acctg. Period ▾	Posting Date	Increase to Balance	Decrease to Balance	ALC
	Gross Disbursement	000		06/2005	07/05/2005		11,995,180.15	12400001
	Offsetting Collection	000		06/2005	07/05/2005	5,208.02		12400001
	Gross Disbursement	000		06/2005	07/06/2005		10,552,681.19	20180024
	Gross Disbursement	000		06/2005	07/06/2005	10,279.50		20180009
	Offsetting Collection	000		06/2005	07/06/2005	5,352.40		20180032
	Offsetting Collection	000		06/2005	07/06/2005	10,634,368.25		20180024
Total						10,655,208.17	22,547,861.34	

Account: 20051801

◀◀ Previous Account Next Account ▶▶ Account ◀1 ▶

1-6 of 6 Records

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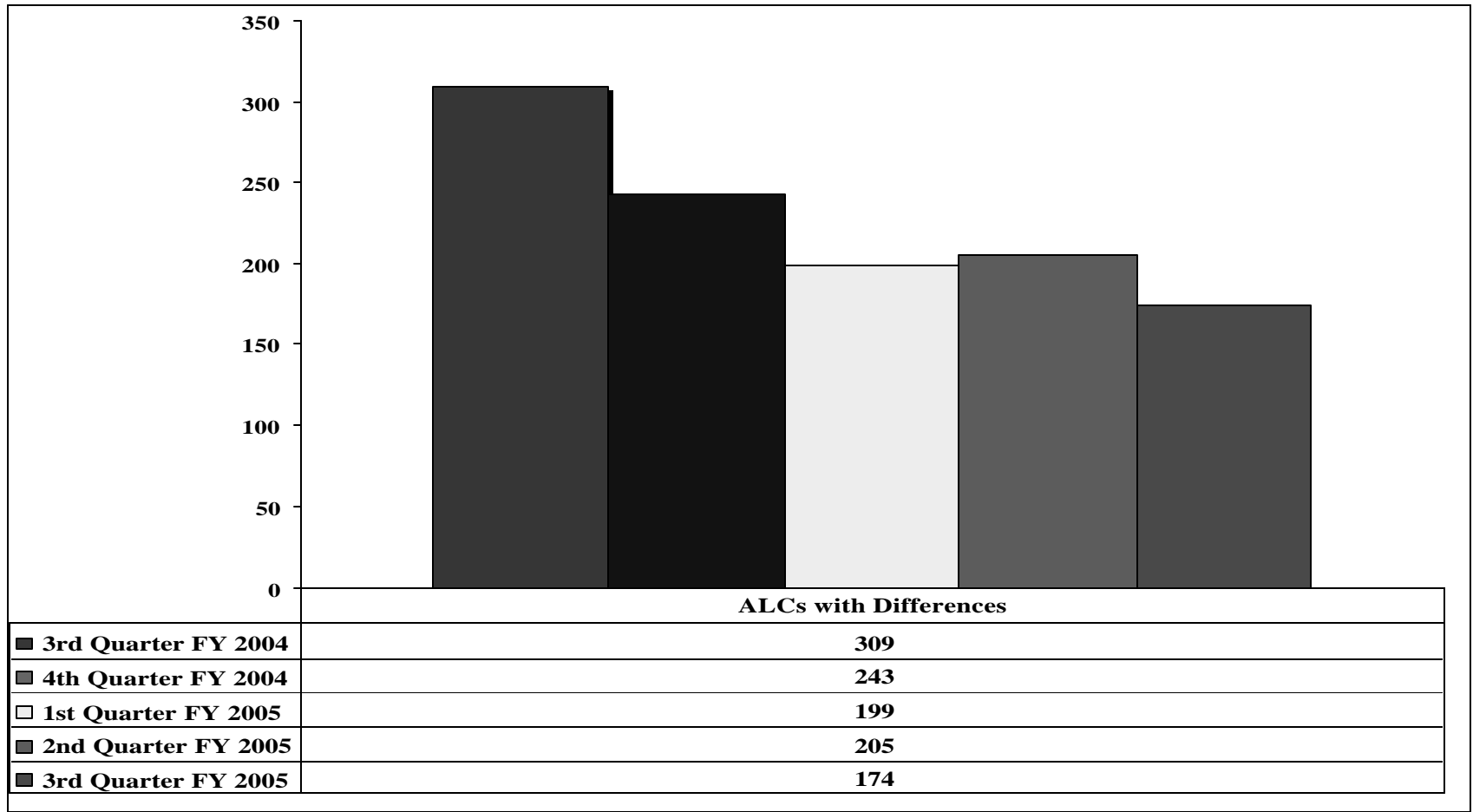
Department of Housing & Urban Development Quarterly Scorecard for the 3rd Quarter FY 2005

<i>Performance Standard</i>	<i>Performance Criteria</i>	<i>Score</i>	<i>Justification</i>
Accuracy of Reporting	<i>Green</i> if differences are 3 months old or less for all ALCs	Green	
	<i>Yellow</i> if differences are older than 3 months but 6 months old or less		
	<i>Red</i> if differences are older than 6 months		
Timeliness of Reporting	<i>Green</i> if original and supplemental reporting completed by the 3 rd workday for all ALCs	Green	
	<i>Yellow</i> if original submitted by the 3 rd workday and supplemental report submitted on the 4 th workday		
	<i>Red</i> if original submitted after the 3 rd workday and/or supplemental submitted after the 4 th workday		
Checks Issued Comparison Reporting	<i>Green</i> if differences are 3 months old or less for all ALCs	Green	
	<i>Yellow</i> if differences are older than 3 months but 6 months old or less		
	<i>Red</i> if differences are older than 6 months		

The table below reflects a summary of the 23 CFO Act agencies, 12 material other agencies, and selected commissions being scored. For example, the “Green: 45%” from the Accuracy line below indicates that 45% of agencies and commissions received a “Green” for the Accuracy of Reporting performance standard.

<i>Accuracy</i>	Green: 45%	Yellow: 13%	Red: 42%
<i>Timeliness</i>	Green: 81%	Yellow: 5%	Red: 14%
<i>Checks Issued</i>	Green: 78%	Yellow: 11%	Red: 11%

FMS's Quarterly Scorecard Results



“44% decrease in the number of ALCs with differences since the inception of the FMS Quarterly Scorecard”

Best Practices Statement of Differences

- Department of Labor
- General Services Administration
- Social Security Administration

Office of Fiscal Integrity

Division of Accounting and Payment Services

August, 2005

Organization

- DOL is organized into 18 agencies
- Annual budget of \$50.7 Billion FY-2005
- Over 150 Appropriation Symbols
- 49 Agency Location Codes (ALC)

Issue: Unreconciled Cash Differences

- **Cash differences with Treasury were in the millions of dollars**
- **Statement of Differences (SOD) dated back four years**

Taskforce

- **The Chief Financial Officer established a taskforce to reconcile the Fund Balance with Treasury and the SOD**
- **The taskforce consisted of a team of 15 accountants and 2 computer programmers**
- **The team was in place for six months**

Taskforce: Causes and Issues

- **Payments processed by HHS Payment Management System (PMS) were not posted to DOL's general ledger or were posted to the wrong account**
- **Agencies were making manual adjustments to the automated SF-224 reports**
- **DOJ collections were not posted on a timely basis**
- **Foreign disbursements were not posted**
- **SODs were not reconciled or corrected on a timely basis**

Taskforce: New processes

- PMS Differences:
- **Developed a daily automated reconciliation**
 - The reconciliation is by appropriation at the transaction level
 - Each transaction from PMS is matched to the amount posted into the accounting system
- **OCFO monitors the daily reconciliation**
- **Each agency is contacted if the difference is not corrected within two days**
- **HHS is notified immediately if they need to do a correction**
- **HHS provides DOL with a copy of SF-224 report**
 - Within the same day the OCFO reconciles the SF-224 report
 - HHS is notified of any differences
 - HHS submits supplemental SF-224 report

Taskforce: New Processes

- SF-224 reports
- **The OCFO transmitted the SF-224 reports in bulk file**
- **FMS 6653 is downloaded and electronically reconciled to the general ledger**
 - Differences are researched and corrected within two days

Taskforce: New Processes

DOJ collections:

- OCFO assigned an accountant to post and reconcile all collections from DOJ
- DOJ collections posting were centralized
- Data from DOJ is received daily

Taskforce: New Processes

- Foreign Disbursements:
 - **DOL worked with the State Department to get timely information**
 - **OCFO assigned an accountant to post and reconcile all collections and disbursements from the State Department**

Taskforce: New Processes

- Statement of Differences (SOD):
- **The OCFO monitors the SOD for DOL**
- **Agencies' senior management is provided with a summary of the SOD monthly**
- **SF-224 reports are run daily during the last week of the month**
- **The OCFO verifies that old differences are cleared prior to submitting the SF-224 reports**

Where are we today?

Cash Reporting

Brad McCall
Executive Director
Greater Southwest Finance Center

Agency Mission

We help federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services and management policies.

Types of Activities

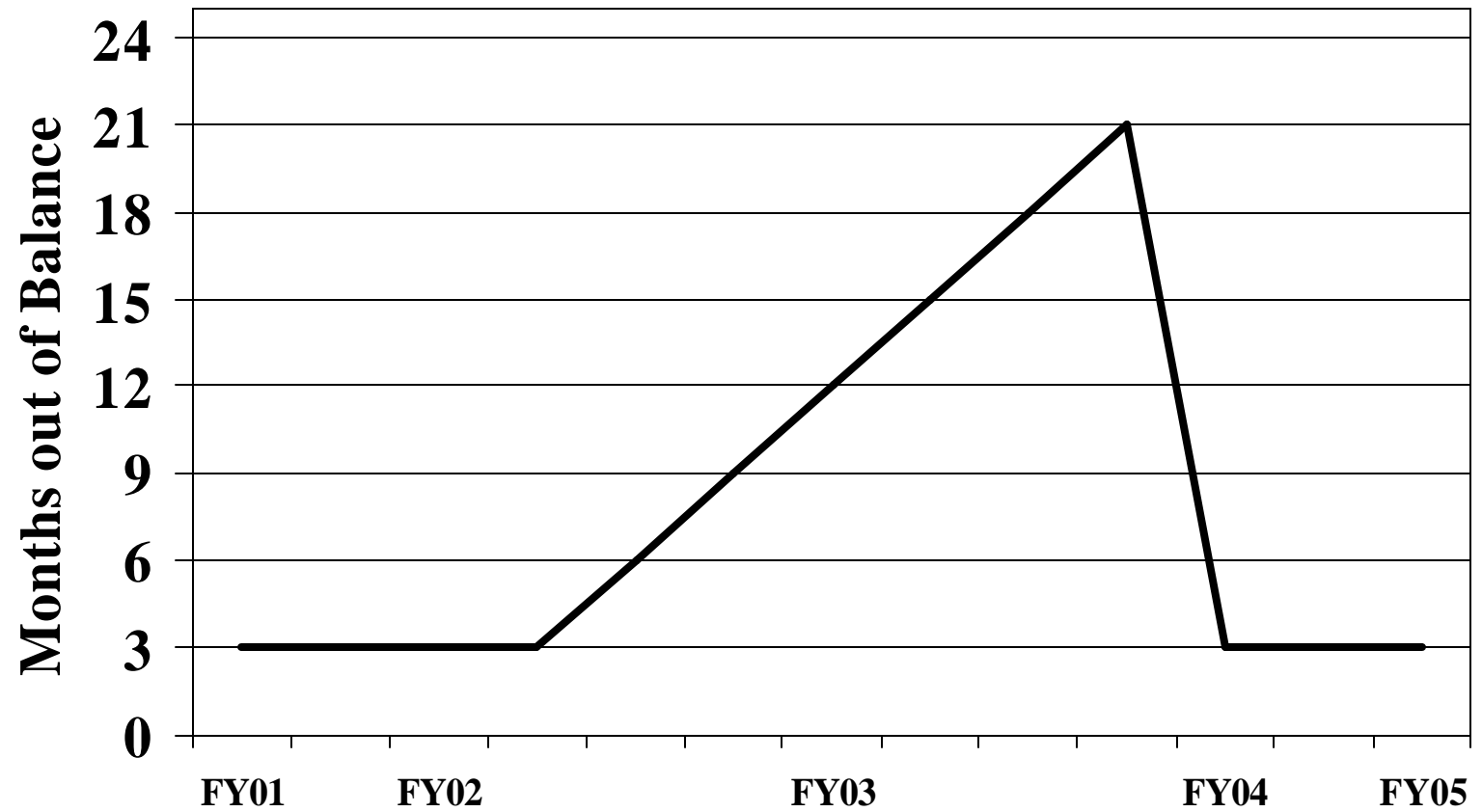
- Building Services
- IT Services
- Supplies
- Commissions
- Investments
- Fleet

Good News

- Only Two Finance Centers
- ONE Accounting System

Bad News

- \$20 Billion in Revenues
- \$20 Billion in Expenses
- 2002 New Accounting System



— Differences

Divide reconciliation into manageable pieces

- Banking Transactions – Debit and Credit
- IPAC Transactions
- Non-IPAC Disbursements
- Interfund Transactions

Download data from Treasury --Daily

- CASHLINK
- Intra-governmental Payment and Collection System (IPAC)
- Regional Finance Center (RFC) Agency Link
- Check Cancellation File (SF 1098)

Ways to research differences:

- **Compare database of IPAC transactions to IPAC Support Listing downloaded from the Government On-Line Accounting Link Information Access System II (GOALS II/IAS)**
- **Compare database of Non-IPAC Disbursement Transactions to the RFC Agency Link Report downloaded from GOALS II/IAS**
- **Compare database of CashLink transactions to the Deposit Ticket/Debit Voucher Support Listing downloaded from GOALS II/IAS**
- **Compare database tables of accounting transactions to transactions that were reported on the SF-224**

- No uncleared cash items over 3 months old to retain Green Status.
- Reports of uncleared items forwarded to management on the third workday for month end.
- **Report requested by Executive Director for previous month uncleared items.**

What Gets Measured

GETS DONE!

**THANK
YOU**

STATEMENT OF DIFFERENCES – NEW INSIGHTS AND TOOLS FOR EFFECTIVE RECONCILIATIONS

Financial Reporting of the Social Security Trust Funds

Kathleen M. Glenn, CPA, CGFM



SSA MISSION

- To advance the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

STRATEGIC GOALS

- *SERVICE*
 - To deliver high-quality, citizen-centered service
- *STEWARDSHIP*
 - To ensure superior stewardship of the Social Security programs
- *SOLVENCY*
 - To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations
- *STAFF*
 - To strategically manage and align staff to support SSA's mission

Financial Reporting – Social Security Trust Funds

- Old-Age and Survivors Insurance (OASI)
- Disability Insurance (DI)
- Receipts -- Financed primarily through payroll and self-employment tax contributions, Investment Income and General Fund reimbursements.
- Disbursements -- Primarily benefit payments and administrative expenses.

FY 2004 – Total Cost of OASI and DI Programs (Statement of Net Cost)

	OASI	DI
Benefit Expense	\$412,474 M	\$75,169 M
Operating Expense	\$2,537 M	\$2,221 M
Beneficiaries	39.6 M	7.8 M

BASIC BENEFIT ACCOUNTING FLOW

- **Benefits are certified centrally but reported within 7 Program Service Centers (PSCs)**
- **Each PSC has its own Agency Location Code (ALC)**
- **Each PSC reports cash activity to Finance for recording into the general ledger and to Treasury for government-wide cash management**
- **Drawdowns are made from the trust fund investments five times throughout the month to cover net disbursements as reported through the PSCs and certified at headquarters**
- **A liability is accrued at the end of each month for benefits due and payable**
- **The liability is reduced for net disbursements**
- **Internal Management and External Regulatory Reports are prepared, including**
 - **Statement of Transactions (FMS FORM -224)**
 - **Financial Statements**
 - **Report on Budget Execution (SF-133)**
 - **Treasury Report on Receivables**

TREASURY SCORECARD REPORTING AND THE NEED TO BE GREEN

FMS Scorecard – Requirements to be Green

- Statement of Transactions is submitted by the 3rd workday
- Monthly Statement of Difference Report has aged differences less than 3 months old

PARTIES TO THE PARTNERSHIP

- **Department of Treasury - Bureau of Public Debt** -- Manage trust fund investment portfolio
- **Department of Treasury - Financial Management Service** – Serve as money manager providing centralized payment, collection, and reporting services.
- **Social Security Administration (SSA)** -- Administrative responsibility including regulatory financial reporting
 - Accounting and Reporting, including
 - FMS Form 224, Statement of Transactions (FMS 224)
 - Report on Budget Execution (SF-133)
 - Financial Statements
- **SSA Financial Management Team**
 - Financial Operations
 - Financial Policy
 - Program Recovery and Policy
 - Benefit Certification
 - Program Systems
 - Office of the Actuary
 - Office of Budget
 - Program Service Centers

ROLES OF THE PARTIES

PSC Responsibilities

- Report benefit disbursements and collections
 - To Treasury via the FMS-224, Statement of Transactions
 - To Finance for financial accounting and reporting
- Reconcile and clear Statement of Differences

Finance Responsibilities

- Ultimate responsibility for financial reporting
- Review and analyze the data from the PSCs
- Record the data into the agency's accounting records/general ledger
- Provide advice and assistance to the PSCs
- Report the data on regulatory reports

CHALLENGES

- Different reporting structures – PSCs report through Operations; Finance reports through Finance, Assessment and Management
- Staff turnover within the PSC
- Primary focus in the PSCs is providing service to beneficiaries
- Late reporting of Statement of Transactions
- Multiple supplemental reports
- Aged Statement of Differences
- Unfamiliarity in PSCs with Treasury Tools (RFC Agency Link, IPAC) and Reconciliation Techniques

MEETING THE CHALLENGES

1..Formed a partnership with Operations at the Deputy Commissioner level

- Comprehensive contact list from the technician to managerial levels at each PSC
- Deputy Commissioner level support complete with Operations Liaison
- Letter to PSCs from Operations Liaison detailing Scorecard requirements
- Operations liaison established due date for PSCs of 2nd working day
- Clear communication that Finance is available to help with phone numbers/email
- Site Visits – Periodic and “As Needed” visits to PSCs

Meeting the Challenges-Continued

2..Treasury Support and Tools

- Treasury provided contacts within the RFCs and headquarters for PSCs to use to obtain missing supporting documentation
- RFC Agency Link – provides daily disbursement activity processed within the RFCs via the Internet
- Intragovernmental Payment and Collection System (IPAC) – provides transfer of funds between agencies

Meeting the Challenges-Continued

3..SSA Trust Fund System

- Visual-basic based program developed by Finance
- As PSCs receive documents throughout the month, they enter them into the TFS specifying:
 - Document type
 - Dollar amount
 - Trust fund(s)
 - Validation date
- Controls emailed to Finance daily for recording into the general ledger
- PSCs can generate “mock” FMS FORM 224 based upon data keyed throughout the month

Meeting the Challenges-Continued

4..Developed Guidelines for PSCs

- **Access RFC Agency Link and download documents daily**
- **Check the IPAC system for transactions sent/received by the PSCs ALC daily**
- **Match items on RFC Agency Link/IPAC to actual source document**
- **After several days without back-up, contact internal/external party**
- **Immediately fax and mail any documents that belong to another PSC to that PSC**
- **Upon matching documents recorded in TFS, produce/validate control listing and email files to Finance for the accounting records**
- **Before submitting current month Statement of Transactions, check that the report will clear prior month differences**
- **On first working day, create mock Statement of Transactions through TFS and compare to RFC Agency Link and IPAC**
- **Contact Finance for assistance if necessary -- Finance has staff to work with PSCs to reconcile differences**

Meeting the Challenges-Continued

5..Finance Actions

- Obtain GOALS access to each PSC's ALC
- Provide ongoing advice and assistance to PSCs
- Transmit a PSC's FMS 224 in the event of an emergency/special circumstance
- Review PSC's FMS 224s as they are posted to GOALS to ensure that prior month aged differences are cleared (Between 2nd and 3rd workday)
- Check the PSC's FMS 224 as posted on GOALS to the RFC Agency Link and IPAC system, as time permits (Between 2nd and 3rd workday)
- Review Statement of Differences posted to GOALS for differences greater than 2 months old
- If any differences exist, email the respective PSC, including the manager/director and the Operations Liaison
- Travel to each PSC at least once every two years and upon request.

CONTACTS

Kathleen M. Glenn, CPA, CGFM
Senior Accountant
410-965-5621

Nancy Gribbin
Supervisory Accountant
410-966-9696

Renee Beil
Accountant
410-965-4247

Allison Chrest, CPA
Accountant
410-965-8460

Mike Rudolf
Accountant
410-965-3550